

**COMBINED MEETING OF THE BOARD OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**

November 21, 2015

Present

George Maciag, President
Jeff Schwartz, Vice President
John Steinhart, Treasurer
Art Testani, Director
Todd Davis, Director
Tom Bugary, Secretary and General Manager

Absent

None

WELCOME

George Maciag called the meeting to order at 10:00 A.M. on November 21, 2015 at the Monterey Dunes Colony Clubhouse. George introduced himself as the newly appointed president as the MDCA Board had its Organizational Meeting that morning to elect offices. George also announced that Jeff Schwartz was elected as Vice President and John Steinhart as the Treasurer. Tom Bugary would remain as a non-voting officer of the Board for administrative purposes. Three of his fellow directors, Jeff, John and Todd are incumbents and Art Testani, while a newly elected director, has served on other HOA boards as a director as well as a past president.

MINUTES

The Board reviewed the draft minutes of the 9-19-15 Board meeting, the 9-29-15 Board meeting via teleconference, the 10/17/15 special Board meeting and the 11/21/15 organizational meeting (immediately preceded today's Board meeting). It was M/S/C to approve all the minutes as presented.

TREASURER REPORT

Ted Adams gave a verbal report for September and October 2015. Ted noted that the payments to the Capital Reserve Replacement Fund and to the Mutual Water Association were current. Additionally, Ted stated that all of our account balances could be seen in the written report, which has been attached to and made part of these minutes. Finally, Ted told the board that, in February 2016, we will renew one of our Certificates of Deposit (CDARS), which will then mature in 2019. At that point we will have fully implemented a 5-year bond-laddering plan where we have in place five (5) 5-year CDARS with one maturing every year.

FINANCE COMMITTEE REPORT

Ted Adams, committee chair, gave a verbal report. He stated that the Finance Committee had met the previous day and had agreed to make the following statement:

“The Finance Committee would like to put out a solicitation for new members. The committee normally consists of five people and is now comprised of three. If you wish to volunteer for this committee, please contact the office.”

The Board M/S/C to accept the report as presented.

ENVIRONMENTAL CONTROL COMMITTEE (ECC)

Jeff reported that there has been one ECC action made via teleconference since the last Board meeting. The owners of unit 326 requested a revision of the authorized plants, published by the Association, as well as wanted clarification on what plants homeowners could use to landscape their courtyards. The ECC, a landscape vendor, and our coastal biologist are currently reviewing and revising the plant list and will give recommendations to the ECC when completed.

RENTAL COMMITTEE REPORT

George Maciag, former rental committee chair, submitted a written report that is attached to and made part of these minutes. Although several actions were recommended in this report, primarily increases in fines, in his summation George stated that he intends to recommend to the Board that they appoint a "Blue Ribbon" panel consisting of two board members, an attorney, and a homeowner who rents their unit. The purpose of this committee is to research pertinent laws and finalize the details of the listed actions, including their implementation. After discussion, the Board M/S/C to accept the report as presented with a vote of 3-2 with George, Jeff and John voting to accept and Todd and Art voting not to accept the report. Further it was M/S/C that George could appoint the "Blue Ribbon" panel as described above and that it would report back to the Board upon completion with recommendations. When the discussion was concluded, the Board tasked Tom to query the attorney as to what constitutes renting your unit(s) primarily as a business.

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

This is a cumulative report covering reserve projects and other work as completed in fiscal year 2015-2016, (July 1, 2015 through June 30, 2016).

Windows, Doors, Fences, and Skylights

Association carpenters will be replacing windows and sliding glass doors in unit 290 starting December 7th through completion of the project. Units pending replacements early next year are units 232 and 294.

Three skylights were replaced on unit 210.

Solar Project

Association staff has installed motion sensor floodlights on the perimeter of the solar field to enhance the security of the system and set up a washing station where the staff can keep the panels clean and operating at

optimum efficiency. We also installed a fan, which is run by thermostat to help keep the inverter building cooler in the summer.

Inverter 6 was having performance issues and the manufacturer, (Solar Edge), decided to replace the Inverter. The Inverter arrived and was replaced on Friday, November 14 and was immediately brought on line and paired with the Optimizers. We also had communications issues with the Master Inverter, (Array #1) and office computers and ended up changing the Cat 5 cable from the Master Inverter to the network in the office. During this process, power production outages were minimal.

Annual Chimney Inspections/Cleaning

Annual fireplace systems are complete except for one unit. The unit owner denied the association access to conduct the inspections and was noticed to provide the association with an inspection document from a certified chimney inspector of his choice, as well as a smoke alarm inspection and battery replacement, stating both systems are functional. The homeowner was given a suspense via email, (with notice of email consent) of no-later-than October 10, 2015. I have not yet entered the unit, but will do so next week after scheduling with a fireplace inspector.

Painting

Association staff has completed painting the exterior trim on units 206 to 210, 212 to 216, 258 to 262, 264 to 268 and garage trim at units 132 to 148, 150 to 194, 196 to 208 and 242 to 340. Painting and sealing is in progress at units 150 to 154 and 184 through 188.

Landside Boardwalk Replacement

Landside boardwalks have been replaced between units 130 to 132, 160 to 162, (long run), 204 entry, 254 through 258 and we replaced the Oceanside boardwalk between 324 and 328 with a reinforced, wider boardwalk that can support the weight of the wave run-up barriers.

Terminix Maintenance Program Update

Local Treatments for drywood termites:

August 3, 2015	Unit 222 Unit 222 garage. Unit 312 garage Unit 314 garage Unit 316 garage Unit 326 garage
October 9, 2015	Unit 208 garage Unit 250
October 20, 2015	Unit 328 garage Unit 206 oceanside deck area Unit 214 deck area
November 6, 2015	Unit 216 entry, stairs and courtyard fence Unit 294

Terminix is committed to conduct an annual roof inspection of all the buildings in the colony this month.

Coastal Projects

During the months of July through September, David Shonman and I have collaborated over the upcoming El Niño year. While continuing to monitor the NOAA Website, David suggests the probability of a difficult year in terms of storms and rain. I recommended that we sit down with the Coastal Commission and discuss our options for protecting the association from projected storms. David suggested working with local coastal engineers to modify our emergency plans, possibly strengthening our current run-up barrier system. He highly advised that this subject be discussed at board meetings.

On September 17, 2015 David discussed options available to the colony during inclement weather with Mike Watson from the Coastal Commission. Mike did not have time to meet with us face to face but did speak with David on the phone. Given the sensitivity of our location, as well as the regulatory agencies position on hard fixes, both felt that even though it might be difficult to impose a hard fix if necessary, we might be able to do so if conditions were so severe that danger to people and/or property was eminent. Mike Watson told David that the association had a good system with the run-up barriers on the south end of the property and he gave the association permission to deploy them when the situation warranted. He asked that when we do feel the need to deploy them, that we follow up with an email to him explaining the situation, letting him know how long we planned to leave the barriers deployed, etc. In addition to the barrier placement, management is updating the emergency notification roster and obtaining additional sandbags for use closer to the houses if necessary.

On October 17th, the board authorized the purchase of 150 additional wave run-up water barriers. These barriers can be quickly deployed near the houses in the event the foredunes are breached anywhere on the property.

The oceanside boardwalk was reinforced between units 324 and 328 in order to withstand the weight of the wave run-up barriers.

David Shonman gave a 30-minute presentation after the annual meeting concerning the upcoming El Niño and what this could mean for the colony. He also gave a brief history of those years where the colony experienced severe weather and shared some of ways we have countered the storms in the past.

The regulatory agencies met at the colony on November 17th to discuss the Salinas River Lagoon, breaching the river as well as emergency, short term and long term permitting of the breaching process. Represented at the meeting and subsequent site visit to the river mouth were representatives from; Monterey County Water Resources Agency, U.S. Department of Fish and Wildlife, California Department of Fish and Wildlife, Point Blue Conservation, California State Parks, California State Water Resources Control Board, California Coastal Commission, Trout Unlimited, NOAA Fisheries, Sea Mist Farms, Scattini Ranch, U.S. Army Corp of Engineers, Private Land Owners, and the Monterey Dunes Colony. After the meeting, key stakeholders stayed and worked on developing timelines and milestones for the different permits that had to be processed.

Fire Pump Building Repair

Invitations to bid on the re-roofing and re-siding of the fire pump building were sent out on November 5, 2015 to three perspective bidders; Carl Black Construction, Knox Roofing and Scudder Roofing. Bids are due back no-later-than close of business, November 27, 2015. This work is bid out because the association staff does not have a qualified roofer on staff with an active license to do the work. When we start the reroofing of the individual homes, I plan on hiring a roofer and to use his experience and license to re-roof the homes.

Additionally, the ECC has authorized the roof to be of composite material, rather than wood. The reason the pump building was chosen for using this different material is because of its location and the committee wants to see if the composite roof compliments the other materials used on the buildings.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the October 2015 billing period, there were 12 units that exceeded the Tier 1 water conservation zone. Seven units were under the \$5.00 billing limit. Three units were in Tier 2 and 2 units were in Tier 3.

Owners who are in the Tier 2 or 3 water use zones are billed for their usage in accordance with Association Policy.

We are currently soliciting bids to replace the Fire pump exhaust system. The existing system was wrapped with an asbestos tape so it has been difficult to get contractors to bid on the demolition portion of the scope of work, however there are hazmat procedures in place for removing the old exhaust system safely and I anticipate selecting a bid in the next month or so.

NEW BUSINESS

Homeowner request to participate in Board Meetings via teleconference

At the 9-19-15 Board meeting, Tom was requested to find a service that would allow interested homeowners to call in to the meeting and ask questions at the appropriate time, meaning they would be on mute during the entire meeting except when they would be unmuted to ask questions or make comments at the appropriate time. Tom has found such a service and, after discussion, the Board felt that this new process of allowing homeowner participation in the Board meetings via telephone should be implemented on a temporary basis and re-evaluated after a couple of board meetings.

OLD BUSINESS

There was no old business.

OWNER'S STATEMENTS

There were no owner's statements.

WATER COMPANY BUSINESS

Water Conservation reports for September and October 2015

Addressed in Managers Report.

ADJOURNMENT

The meeting was adjourned at 12:00 p.m. The next meeting is scheduled for January 18, 2016 at 10:00 a.m.

Respectfully Submitted

//s//

Thomas J. Bugary CMCA, CCAM
General Manager and Secretary

EXECUTIVE SESSION

A homeowner requested a waiver of a water fee that was approved. Additionally there were two hearings, the fines were upheld in both cases.

Treasurer's Report October 2015

This report covers our fiscal year budget status through October 31, 2015.

Account balances as of October 31 are:

	<u>October</u>
Total MDCA Reserve Funds	\$2,632,772.34
+ <i>Comm Assoc Banc (CAB) Reserve</i>	\$ ---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 825,529.13
+ <i>CDARS (CD Due 2/4/16)</i>	\$ 600,531.00
+ <i>CDARS (CD Due 3/31/16)</i>	\$ 300,613.35
+ <i>CDARS (CD Due 3/30/17)</i>	\$ 301,104.91
+ <i>CDARS (CD Due 3/29/18)</i>	\$ 301,826.20
+ <i>CDARS (CD Due 3/26/20)</i>	\$ 303,167.75
CAB Operating	\$ 37,329.18
RABOBANK Petty Cash	\$ 1,615.58
CAB Water Operating	\$ 16,146.28
Total Water Reserve Funds	\$ 86,854.93
+ <i>CAB Water Reserve</i>	\$ ---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 86,854.93

Payments to the Capital Replacement Fund (\$16,320.00 per month) are current.

Payments to the Mutual Water Association (\$3,750.00 per month) are current.

Respectfully Submitted,

John Steinhart

John Steinhart

RENTAL COMMITTEE RECOMMENDATIONS TO THE MDCA BOARD

Background

The rental committee was formed by the Board of Directors to address and recommend possible pragmatic solutions to increasing rule violations. The balance of this report will deal with the issues identified by not only the committee but owners and renters as well.

Parking

Owners are inconvenienced in finding parking spaces close to their properties. Renters simply park in the closest and most convenient place to the rental unit as they can. In many cases parking is along garages, blocking pathways and road entrances. We have enforcement of these violations in the evening from 5:00 p.m. to midnight and only very limited enforcement during the day time.

Recommendations

Each unit is assigned one parking space and the balance of the parking spaces be identified as visitor spaces. We further recommend that before painting parking spaces for the entire colony a test site be identified. Our recommendation toward the test site is the properties between units 132 and 160.

Currently, guest identification is made known by hanging a small pass on the rear view mirror of the vehicle. The committee suggests that a boldly printed paper be placed on dashboard of vehicle identifying unit number, dates of their stay, and number of guests in vehicle. Distribution of dashboard identifying passes is limited to security and office personnel.

Because of the limited enforcement of parking regulations, a part-time guard is added to the staff during the day on Thursdays, Fridays, and Saturdays. We believe that this recommendation will generate fine revenue that will either break even or possibly generate income.

Finally, we recommend increasing the fines for parking violations from \$50 to \$75 per day of violation.

Trash & Garbage

As of October, there are 41 properties on or about to be on the rental program. Excess garbage and trash is being placed in bins that are not assigned to a specific unit. The problem worsens since owners have no place to store their garbage and trash. Monday through Thursday the waste accumulates.

Recommendations

A garbage bin is made available in our recycling pod. Impose a fine of \$75 for using garbage bins that are not identified with the rental unit.

Unleashed Pets of Any Kind

Current regulations require that all pets must be leashed while outdoors in public areas. These regulations are being violated by some exposing the Association for possible law suits resulting from bites, severe allergy, etc.

Recommendation

Increase the existing \$50 fine for this rule violation to \$100.

Excessive Noise After 10:00 p.m.

If there is excessive noise after 10:00 p.m., current practice is to have security, as a result of security patrols or a neighboring complaint, to ask the responsible party to please quiet down. Often a second call is made to security and the party is told that if the noise continues, the sheriff will be called. The threat of notifying the sheriff is usually effective and the noise levels are reduced to acceptable levels.

Recommendation

Given that party goers do not release escalating noise levels have security give a courtesy warning. If a second visit needs to be made, impose a fine of \$200. If the sheriff needs to be summoned, the fine level is increased to \$350.

Abuse of Common Property

The cause of abuse to common property of the grounds and recreation equipment is getting more frequent use particularly on weekends. Some examples: 1) using the tennis courts for softball games; 2) using glass containers at the pool and hot tub; 3) removal of drift wood; 4) walking on the dunes; and, 5) the sauna speaks for itself.

Recommendations

This category of violations be called “Abuse of common property” in a revised and updated “Rule Book”. The fines for violations would be \$200 per incident.

Management should update signage as necessary. For example, do we have enough signs that say “No walking on the Dunes”? Post a sign that within the clubhouse area that reads “Recreational amenities are only to be used as intended”. The effect of these signs is to be welcoming rather than punitive. The sign stating “no glass in the pool area and hot tub” in itself is not enough. We are recommending the signs be replaced with verbiage along these lines: “For your safety and the safety of others, please put your glass bottles on the shelf and pour your drinks in the plastic cups provided”. The cups would be holstered in a dispenser.

Failure to Register Rental Period and Number of Guests to Association Office

By failing to register rental periods and the number of guests occupying the rental unit with the Association office, the overall security of the Colony is diminished. Additionally, the number of overnight guests is restricted by the number of bedrooms within the unit for safety and sanitary reasons.

Recommendation

Impose a fine of \$250 for the first violation to this rule and a \$350 fine for subsequent violations.

Distributing Gate Entry Codes to Renters and Vendors

Distributing gate entry codes to renters and vendors is a breach of security and allows these same people, as well as whoever else they may have given the code to, to enter the property long after their contracted stay.

Recommendation

The committee recommends the elimination of gate code entry and replace with gate passes. A number of technically feasible issues would have to be determined, i.e. can passes have expiration dates? To what degree will this system inconvenience owners? What are associated costs? Are there possible alternative systems? These obstacles prevent the committee from answering the “how” but “identifying” the concept. We feel that the general manager should explore the technical issues, as well as technical options, within the current system and submit his recommendations to the Board.

Owner Notification

At times there is a delay in notifying owners of fines levied. In some cases, security deposits have been returned to the renter by the owners, resulting in an outcome where the owner, and not the violator, pays the fine.

Recommendation

Owners be notified of infractions within one week of when the violation occurred.

Legal Issues

Indications are that the County, Coastal Commission, and other appropriate legal entities will be enforcing short-term rental clauses. The Colony possibly has a number of owners who rent their units on a short-term basis and are in violation of these laws.

Recommendation

Given the legal foundation of these laws and the potential to change the traditional culture of the colony, we are recommending a “Blue Ribbon Panel” be appointed by the Board. This panel should be solely dedicated to researching and interpreting the various laws and the potential enforcement of the current laws. We further recommend that this panel consist of two Board members, a resident attorney, a long-term owner, an owner that rents his/her unit, and the general manager.

Renting Units Solely for Business

Renting units solely for business purposes is clearly not permitted and is in violation of our CC&R’s.

Recommendations

Notify owners (with legal counsel assistance) that these activities need to be stopped. Impose a fine of \$500 per day if rental activity continues after notification and report the violation to the County.

There may be legal requirements to disclose that sellers of a property must disclose the law surrounding rental properties. The committee recommends that the appropriate rental laws be attached to the CC&R's.

Respectfully Submitted,

George E. Maciag

On behalf of the members of the Rental Committee:

George Maciag, Chair
Biff Jelavich, Member
Donna Briskin, Member
Todd Davis, Member
Harley McAdams, Member
Jeff Schwartz, Member